



ST. CLAIR COUNTY COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT and SUPPLEMENTAL INFORMATION

For the Years Ended
June 30, 2008 and 2007



REHMANN ROBSON

Certified Public Accountants

ST. CLAIR COUNTY COMMUNITY COLLEGE

ADMINISTRATIVE OFFICERS

Board of Trustees

Marcia A. Hogan
Chair

Robert W. Gunn, Jr.
Vice Chair

John Adair
Trustee

Thomas A. Hamilton
Trustee

Dianna Maxwell
Trustee

David Oppliger
Trustee

Edward H. Schultz
Trustee

Executive Officers

Kirk A. Kramer
Interim President

Kirk A. Kramer
Treasurer

General Operations Staff

Mary K. Brunner, CPA
Controller

Doreen Vernier
Accounting Manager

ST. CLAIR COUNTY COMMUNITY COLLEGE

TABLE OF CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	1-10
Independent Auditors' Report	11-12
Audited Financial Statements for the Years Ended June 30, 2008 and 2007	
Balance Sheets	13
Statements of Revenues, Expenses and Changes in Net Assets	14
Statements of Cash Flows	15-16
Notes to Financial Statements	17-31
Independent Auditors' Report on Supplementary Information	32
Supplementary Information for the Year Ended June 30, 2008	
Combining Balance Sheet.....	33
Combining Statement of Revenues, Expenses, Transfers and Changes in Net Assets	34

ST. CLAIR COUNTY COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2008 AND 2007

The discussion and analysis of St. Clair County Community College's financial statements provide an overview of the College's financial position as of June 30, 2008 and 2007, and its activities for the years then ended. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using the Annual Financial Report

This annual financial report includes this management's discussion and analysis, the report of independent auditors, the basic financial statements, and notes to the financial statements. Following the basic financial statements and footnotes are supplementary schedules, including the 2008 Combining Balance Sheet and Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Assets. Though the Governmental Accounting Standards Board ("GASB") does not require this information be present for a fair and complete presentation, supplemental schedules are intended to provide additional information regarding the various funds and activities of the College that is not presented in the basic entity-wide financial statements.

Financial Highlights

The balance sheet and the statement of revenues, expenses, and changes in net assets report information on the College as a whole. These statements report the College's financial position as of June 30, 2008 and 2007, and the changes in net assets for the years then ended. The College's financial position remained strong at June 30, 2008, with assets of \$51.9 million and liabilities of \$13.0 million. The College's financial position at June 30, 2007, included assets of \$49.1 million and liabilities of \$12.8 million. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased \$2.6 million and \$3.7 million in 2008 and 2007, respectively, primarily as a result of funding for infrastructure.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current and prior years' revenues and expenses are recorded as incurred regardless of when cash is received or paid. Revenues and expenses are separated into categories of operating and nonoperating.

The Balance Sheets and Statements of Revenues, Expenses, and Changes in Net Assets

Following is a condensed analysis of the major components of net assets of the College as of June 30:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 17,230,101	\$ 13,994,120	\$ 14,540,530
Noncurrent assets			
Restricted cash and investments	3,039,989	4,460,808	4,202,387
Interest in charitable remainder unitrust	-	622,938	573,837
Property and equipment - net	<u>31,622,567</u>	<u>30,042,782</u>	<u>26,244,388</u>
Total assets	<u>\$ 51,892,657</u>	<u>\$ 49,120,648</u>	<u>\$ 45,561,142</u>
Current liabilities	\$ 3,727,305	\$ 3,972,494	\$ 4,888,325
Long-term liabilities - net of current portion	<u>9,255,574</u>	<u>8,797,705</u>	<u>8,027,236</u>
Total liabilities	12,982,879	12,770,199	12,915,561
Net assets			
Invested in capital assets, net of related debt	27,465,249	25,684,374	21,814,140
Restricted – nonexpendable endowments	2,127,842	2,639,310	2,544,584
Restricted – expendable	1,410,382	2,639,816	3,626,203
Unrestricted	<u>7,906,305</u>	<u>5,386,949</u>	<u>4,660,654</u>
Total net assets	<u>38,909,778</u>	<u>36,350,449</u>	<u>32,645,581</u>
Total liabilities and net assets	<u>\$ 51,892,657</u>	<u>\$ 49,120,648</u>	<u>\$ 45,561,142</u>

Following is a condensed analysis of the changes in net assets of the College for the years ended June 30:

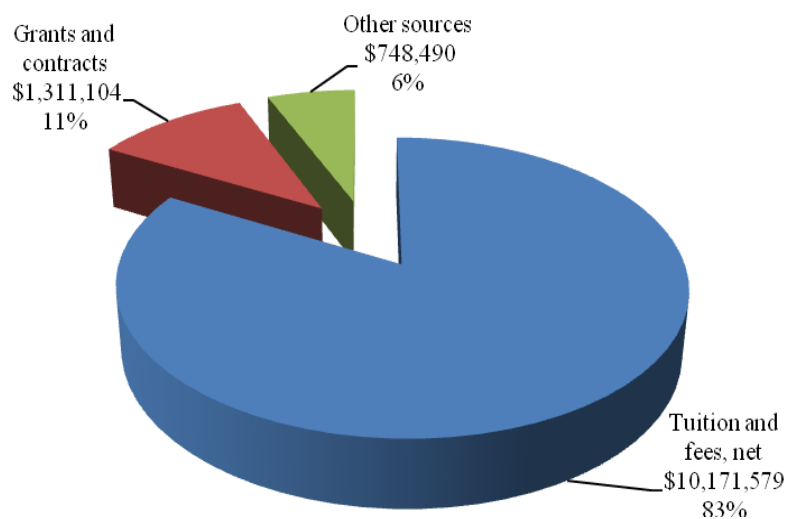
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues			
Tuition and fees, net	\$ 10,171,579	\$ 8,678,227	\$ 7,509,009
Grants and contracts	1,311,104	1,164,932	1,227,647
Other sources	<u>748,490</u>	<u>698,553</u>	<u>673,803</u>
Total operating revenues	12,231,173	10,541,712	9,410,459
Operating expenses			
Instruction	10,164,554	9,375,407	9,484,112
Public service	124,305	117,134	109,982
Instructional support	3,641,965	3,352,784	3,443,087
Student services	4,962,610	4,574,825	4,402,516
Institutional administration	4,425,717	4,190,812	3,562,897
Operation and maintenance of plant	3,778,073	3,456,237	3,390,957
Depreciation	1,981,738	1,473,822	1,280,832
Institutional technology	<u>1,845,812</u>	<u>1,738,025</u>	<u>1,159,120</u>
Total operating expenses	<u>30,924,774</u>	<u>28,279,046</u>	<u>26,833,503</u>
Operating loss	(18,693,601)	(17,737,334)	(17,423,044)
Nonoperating revenues			
Federal Pell grants	3,320,142	2,642,021	2,440,404
State appropriations	7,194,400	5,561,700	6,385,300
Property taxes	10,395,943	9,785,321	9,492,715
Other nonoperating revenues - net	<u>559,860</u>	<u>679,659</u>	<u>524,295</u>
Net nonoperating revenues	21,470,345	18,668,701	18,842,714
Other (expenses) revenues, net	<u>(217,415)</u>	<u>2,773,501</u>	<u>1,786,919</u>
Increase in net assets	2,559,329	3,704,868	3,206,589
Net assets - beginning of year	<u>36,350,449</u>	<u>32,645,581</u>	<u>29,438,992</u>
Net assets - end of year	<u>\$ 38,909,778</u>	<u>\$ 36,350,449</u>	<u>\$ 32,645,581</u>

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the sale or commission on books and supplies, and facilities revenue from the rental of rooms. In addition, certain Federal, State, and private grants are considered operating if they are not for capital purposes and are considered a contract for services. Operating revenues for the 2007/2008 fiscal year do not include Federal Pell grant revenues which are considered non-exchange transactions. Operating revenues were reclassified for the 2006/2007 fiscal year to exclude Federal Pell grants.

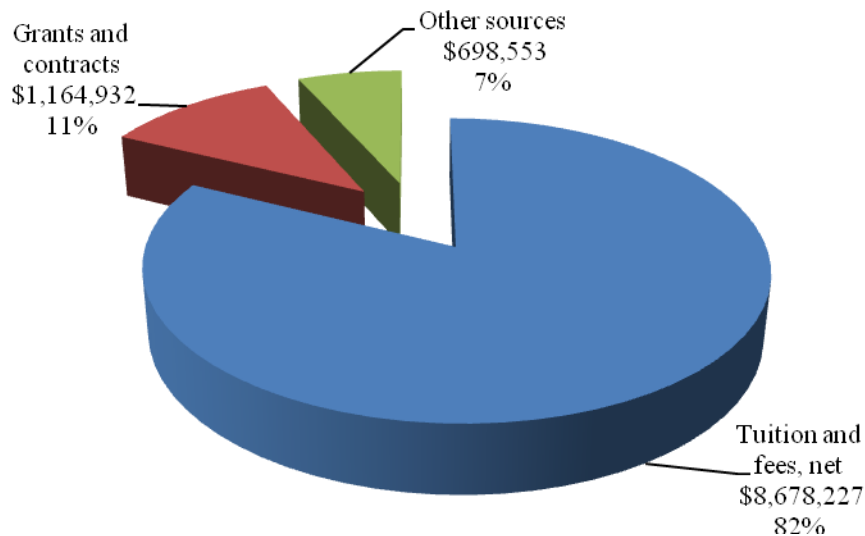
Operating revenues increased during the year ended June 30, 2008, by \$1,689,000 as a result of increased tuition and fees revenue. Tuition and fees increased approximately 17% during the year primarily a result of an approximate 8% increase for in district tuition and an approximate 20% increase for out of district tuition and an approximate 18% increase for out of state tuition, as well as a \$1 increase in technology fee per contact hour.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2008:



During the year ended June 30, 2007, operating revenue increased by \$1,131,000, primarily a result of increased tuition and fees revenue.

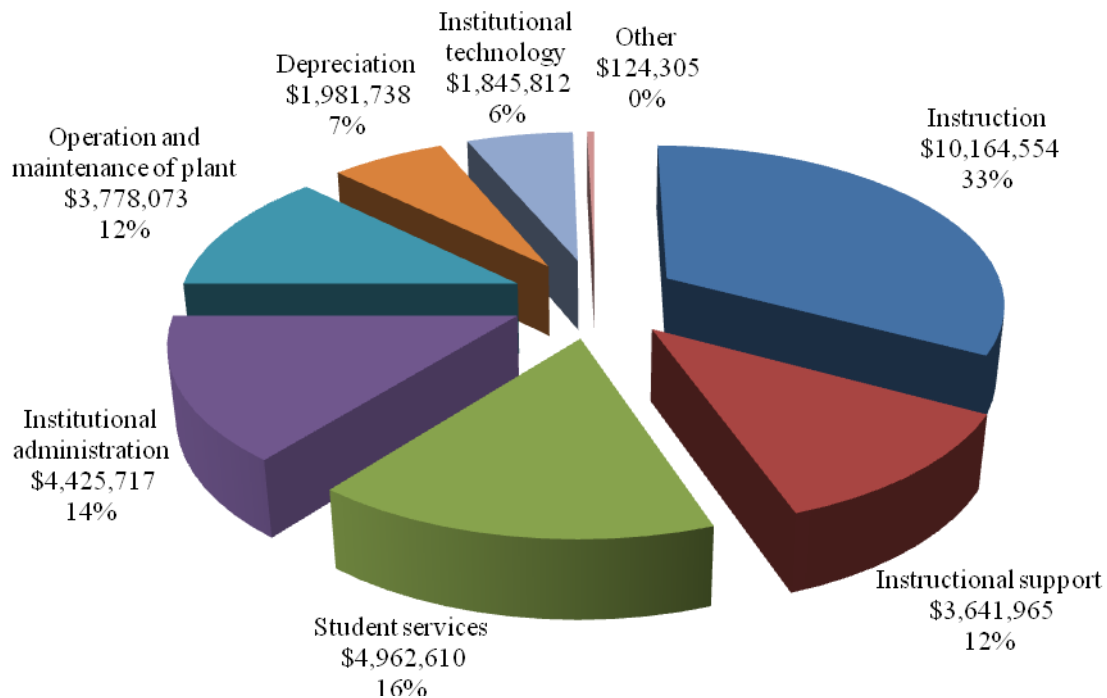
The following is a graphic illustration of operating revenues by source for the year ended June 30, 2007:



Operating Expenses

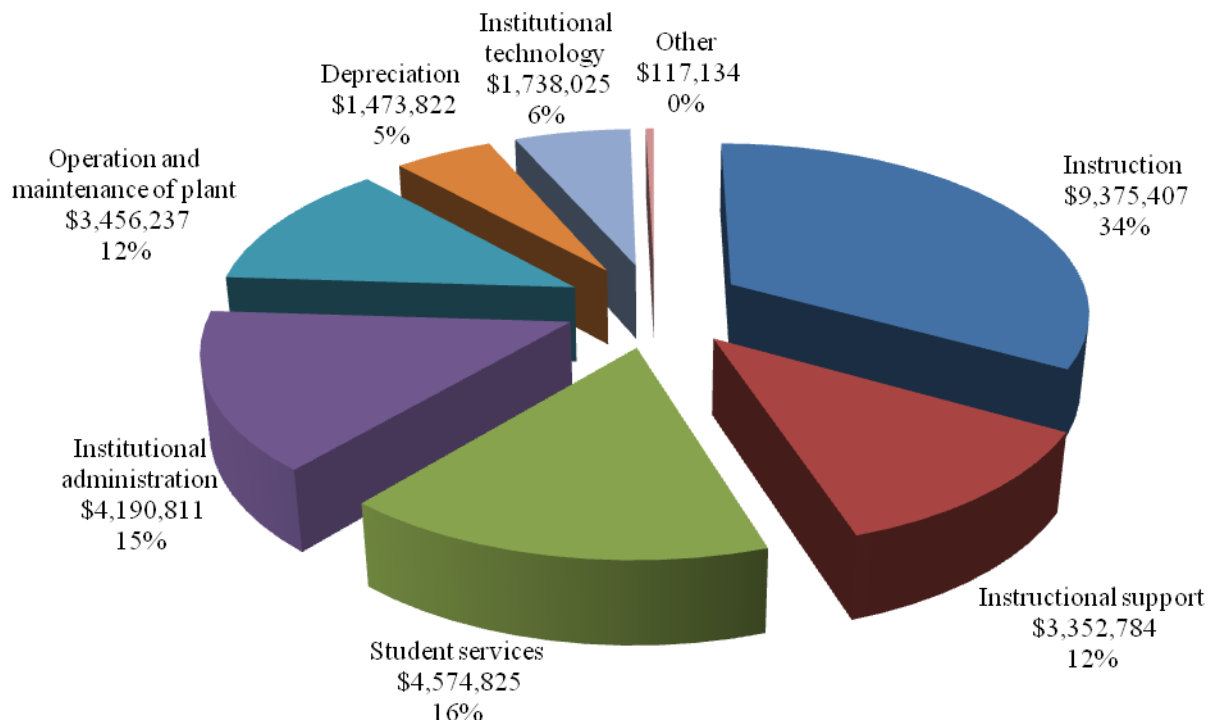
Operating expenses are all the costs necessary to provide services and conduct the programs of the College. Total operating expenses increased for the year ended June 30, 2008, by approximately \$2,646,000 primarily due to increased funding of potential liability reserves, depreciation expense, utilities expense and instructional costs related to increased enrollment.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2008:



During the year ended June 30, 2007, total operating expenses increased by approximately \$1,446,000, primarily due to increased funding of potential liability reserves and certain nonrecurring expenses, such as accreditation expenses. The College also incurred operating transition costs associated with the implementation of technology improvements, which emphasizes the College's commitment to improving technology campus-wide.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2007:



Net Nonoperating Revenues

Net nonoperating revenue represents all revenue sources that are primarily non-exchange in nature. They consist primarily of State appropriations, property tax revenue, Federal Pell grant revenue and investment income.

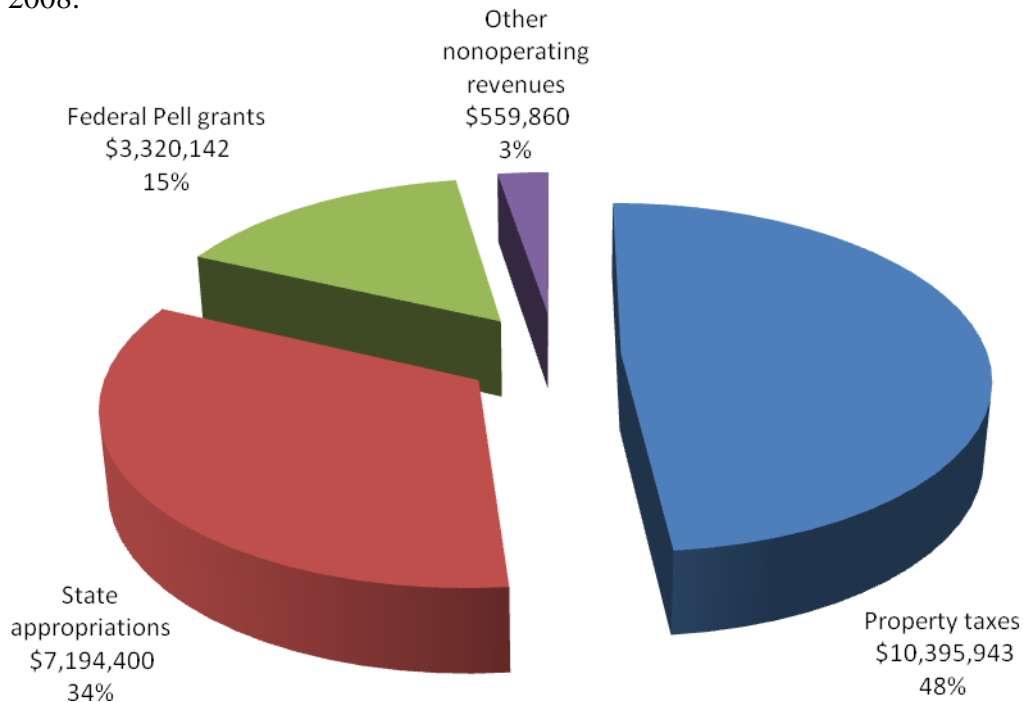
Net nonoperating revenues increased during 2008 primarily as the result of the following factors:

- Property tax revenue recognized increased by approximately \$611,000. The taxable value of property in the county increased by 2.1%. The College increased by \$817,000 the reserve addition for pending property tax appeals by a significant taxpayer in the district.
- State appropriations revenue recognized for the current fiscal year increased from the prior year by 29%, or approximately \$1,633,000. This reflects a \$594,000 delayed payment from the 2006/2007 fiscal year which was recognized as revenue in the

2007/2008 fiscal year when it was re-appropriated and received. Additionally, the State of Michigan budgeted appropriation for the College increased from 1% from the 2006/2007 original appropriation of \$6,534,700 to the 2007/2008 appropriation of \$6,600,400.

- Federal Pell grant revenues increased by approximately \$678,000 from the prior year.

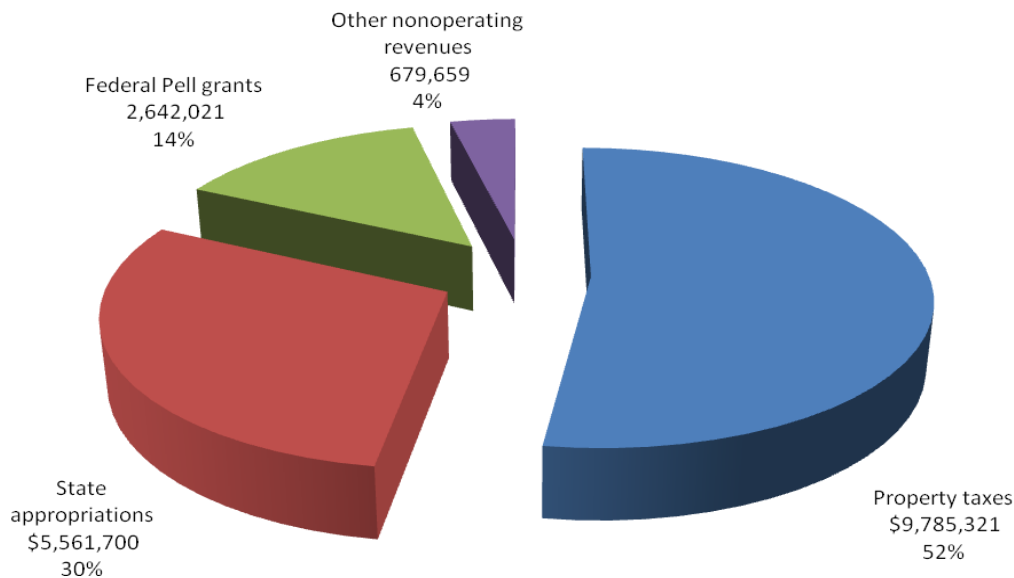
The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2008:



Net nonoperating revenues decreased during 2007 primarily as the result of the following factors:

- Property tax revenue recognized increased by approximately \$293,000. The taxable value of property in the county increased by 4.6%. The College increased by \$945,000 the reserve addition for pending property tax appeals by a significant taxpayer in the district.
- State appropriations revenue recognized for the fiscal year decreased from the prior year by 13%, or approximately \$824,000. This reflects a \$230,000 decrease in appropriations originally budgeted by the State and a \$594,000 delayed payment which was recognized as revenue in the 2007/2008 fiscal year when it was re-appropriated and received. The State of Michigan continued to experience critical financial difficulty with the state of the economy to the extent that payments to the college were delayed and subject to a continuation budget.
- Federal Pell grant revenues increased by approximately \$202,000 from the prior year.

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2007:



Statements of Cash Flows

The primary purpose of these statements is to provide relevant information about the cash receipts and cash payments of an entity during each fiscal year presented. The statements of cash flows also may help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

During 2008, net cash used in operating activities totaled \$16.9 million. This was financed by \$20.9 million of net cash flows from noncapital financing activities such as property taxes, State appropriations and Federal Pell grant revenue. Net cash used in capital and related financing activities totaled \$3.1 million during 2008. This includes \$3.6 million of capital additions in 2008. Net cash used by investing activities totaled \$0.7 million. This includes interest received during 2008 of \$883,000, purchases of investments totaling \$42.6 million, and maturity of investments totaling \$41.1 million. The net result of all cash flows is an increase in cash and cash equivalents of \$264,000 from 2007.

During 2007, net cash used in operating activities totaled \$17.3 million. This was financed by \$19.9 million of net cash flows from noncapital financing activities such as property taxes, State appropriations and Federal Pell grant revenue. Net cash used in capital and related financing activities totaled \$2.1 million during 2007. This includes \$5.4 million of capital additions in 2007. Net cash used in investing activities totaled \$0.5 million. This includes interest received during 2007 of \$831,000, purchases of investments totaling \$38.9 million, and maturity of investments totaling \$37.6 million. The net result of all cash flows is a decrease in cash and cash equivalents of \$52,300 from 2006.

Capital Assets

At June 30, 2008, the College had approximately \$31.6 million invested in capital assets, net of accumulated depreciation of \$21.9 million. During the year ended June 30, 2008, the College had depreciation charges totaling \$2.0 million and invested approximately \$3.6 million in additional capital assets.

At June 30, 2007, the College had approximately \$30.0 million invested in capital assets, net of accumulated depreciation of \$20.4 million. During the year ended June 30, 2007, the College had depreciation charges totaling \$1.5 million and invested approximately \$5.4 million in additional capital assets.

More detailed information about the College's capital assets is presented in the footnotes to the financial statements.

Debt

At June 30, 2008, the College had approximately \$4.05 million in debt outstanding. Debt repayments of \$205,000 were made on debt existing at the beginning of the year. The College's general obligation bond rating of A2 (Moody's) remained unchanged from the prior year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

At June 30, 2007, the College had approximately \$4.2 million in debt outstanding. During 2007, debt repayments of \$195,000 were made on debt existing at the beginning of the year. The College's general obligation bond rating of A2 (Moody's) remained unchanged from the prior year.

Economic Factors that Will Affect the Future

The economic position of the College is closely tied to that of the State. As a result of limited economic growth and uncertainty surrounding the State budget, the College does not have a clear indication of funding levels for the future. In response to the instability in State appropriations the College has increased tuition rates and is exploring alternative funding sources. The College continues to implement cost-saving measures and increase operational efficiencies.



INDEPENDENT AUDITORS' REPORT

November 5, 2008

Board of Trustees
St. Clair County Community College
Port Huron, Michigan

We have audited the accompanying balance sheets of *St. Clair County Community College* (the "College") and its discretely presented component unit as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of SC4 Foundation, a discretely presented component unit of the College, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *St. Clair County Community College* as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 5, 2008, on our consideration of ***St. Clair County Community College***'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis ("MD&A") presented on pages 1 to 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

ST. CLAIR COUNTY COMMUNITY COLLEGE

BALANCE SHEETS

	St. Clair County Community College		Component Unit SC4 Foundation	
	June 30		June 30	
	2008	2007	2008	2007
ASSETS				
Current assets				
Cash and cash equivalents	\$ 821,981	\$ 567,179	\$ 316,194	\$ 74,350
Short-term investments	14,663,869	11,834,872	2,351,004	1,103,095
State appropriations receivable	1,200,072	499,376	-	-
Federal and state grants receivable	143,143	891,171	-	-
Accounts receivable, net	341,091	132,852	-	-
Student loans receivable	20,559	12,677	-	-
Pledges receivable, net	-	-	111,127	108,185
Prepaid expenses and other assets	39,386	55,993	9,778	8,462
Total current assets	17,230,101	13,994,120	2,788,103	1,294,092
Restricted cash and investments	3,039,989	4,460,808	795,233	1,150,376
Interest in charitable remainder unitrust	-	622,938	-	-
Property and equipment - net	31,622,567	30,042,782	-	-
Total assets	\$ 51,892,657	\$ 49,120,648	\$ 3,583,336	\$ 2,444,468
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 826,167	\$ 1,469,088	\$ 23,106	\$ 24,145
Accrued payroll, vacation, and other compensation	1,498,760	1,142,414	-	-
Current portion of long-term liabilities	275,000	222,000	-	-
Accrued interest payable	45,296	47,474	-	-
Deposits	460,549	492,466	-	-
Unearned revenue	621,533	599,052	850	2,000
Total current liabilities	3,727,305	3,972,494	23,956	26,145
Long-term liabilities, net of current portion	9,255,574	8,797,705	-	-
Total liabilities	12,982,879	12,770,199	23,956	26,145
Net assets				
Invested in capital assets, net of related debt	27,465,249	25,684,374	-	-
Restricted				
Nonexpendable endowments	2,127,842	2,639,310	1,096,281	1,050,740
Expendable gifts	307,334	349,175	1,212,384	228,700
Loans	141,413	110,804	-	-
Capital projects	961,635	2,179,837	-	-
Unrestricted	7,906,305	5,386,949	1,250,715	1,138,883
Total net assets	38,909,778	36,350,449	3,559,380	2,418,323
Total liabilities and net assets	\$ 51,892,657	\$ 49,120,648	\$ 3,583,336	\$ 2,444,468

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	St. Clair County Community College Year Ended June 30		Component Unit SC4 Foundation Year Ended June 30	
	2008	2007	2008	2007
Operating revenues				
Tuition and fees (net of scholarship allowances of \$1,760,910 and \$1,367,954)	\$ 10,171,579	\$ 8,678,227	\$ -	\$ -
Federal grants and contracts	899,142	677,992	-	-
State grants and contracts	346,380	342,290	-	-
Nongovernmental grants	65,582	144,650	-	-
Other sources	748,490	698,553	3,200	3,450
Total operating revenues	12,231,173	10,541,712	3,200	3,450
Operating expenses				
Instruction	10,164,554	9,375,407	-	-
Public service	124,305	117,134	-	-
Instructional support	3,641,965	3,352,784	-	-
Student services	4,962,610	4,574,825	-	-
Institutional administration	4,425,717	4,190,812	46,412	32,197
Operation and maintenance of plant	3,778,073	3,456,237	-	-
Depreciation	1,981,738	1,473,822	-	-
Institutional technology	1,845,812	1,738,025	-	-
Scholarships and donations to the College	-	-	18,300	64,845
Total operating expenses	30,924,774	28,279,046	64,712	97,042
Operating loss	(18,693,601)	(17,737,334)	(61,512)	(93,592)
Nonoperating revenues (expenses)				
Federal Pell grants	3,320,142	2,642,021	-	-
State appropriations	7,194,400	5,561,700	-	-
Property taxes	10,395,943	9,785,321	-	-
Investment income	895,388	897,349	255,084	198,871
Interest on capital asset - related debt	(203,162)	(211,476)	-	-
Distribution to beneficiary funds	(7,366)	(6,214)	-	-
Net nonoperating revenues	21,595,345	18,668,701	255,084	198,871
Income before other revenues	2,901,744	931,367	193,572	105,279
Other revenues (expenses)				
State capital appropriations	186,255	2,654,501	-	-
Capital gifts	120,000	115,000	-	-
Additions to permanent endowments	2,243	4,000	-	-
Gifts and contributions	-	-	296,572	185,946
Transfers (to) from related entity	(650,913)	-	650,913	-
Increase in net assets	2,559,329	3,704,868	1,141,057	291,225
Net assets, beginning of year	36,350,449	32,645,581	2,418,323	2,127,098
Net assets, end of year	\$ 38,909,778	\$ 36,350,449	\$ 3,559,380	\$ 2,418,323

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS

	St. Clair County Community College Year Ended June 30	
	2008	2007
Cash flows from operating activities		
Tuition and fees	\$ 10,193,104	\$ 8,667,642
Grants and contracts	1,356,307	1,101,968
Payments to suppliers and students	(15,246,708)	(14,003,436)
Payments to employees	(13,947,194)	(13,792,507)
Issuance of loans to students, net	238	(7,943)
Other	740,370	710,548
Net cash used in operating activities	(16,903,883)	(17,323,728)
Cash flows from noncapital financing activities		
Local property taxes	11,212,817	10,730,795
Private gifts for endowment purposes	2,243	4,000
Student organization agency transactions	(61,236)	158,479
FFELP loan receipts	4,160,543	2,948,004
FFELP loan disbursements	(4,160,543)	(2,948,004)
State scholarship and grant receipts	1,191,729	1,296,875
State scholarship and grant disbursements	(1,191,729)	(1,296,875)
State appropriations	6,398,954	6,308,765
Federal Pell receipts	3,329,143	2,642,021
Net cash provided by noncapital financing activities	20,881,921	19,844,060
Cash flows from capital and related financing activities		
Purchase of capital assets	(3,561,523)	(5,363,215)
Principal paid on capital debt	(205,000)	(195,000)
Capital grant and gift proceeds	20,000	115,000
Proceeds from state capital appropriation	879,765	3,480,609
Proceeds from sale of land	-	82,500
Interest paid on capital debt	(190,646)	(198,827)
Net cash used in capital and related financing activities	(3,057,404)	(2,078,933)
Cash flows from investing activities		
Purchases of investments	(42,601,435)	(38,931,100)
Net proceeds from sales and maturities of investments	41,082,000	37,606,000
Investment income	883,366	831,355
Transfers to related entity	(20,541)	-
Net cash used in investing activities	(656,610)	(493,745)
Net increase (decrease) in cash and cash equivalents	264,024	(52,346)
Cash and cash equivalents, beginning of year	575,446	627,792
Cash and cash equivalents, end of year	\$ 839,470	\$ 575,446
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 821,981	\$ 567,179
Restricted cash	17,489	8,267
Cash and cash equivalents, end of year	\$ 839,470	\$ 575,446

ST. CLAIR COUNTY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (Concluded)

	St. Clair County Community College Year Ended June 30	
	2008	2007
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (18,693,601)	\$ (17,737,334)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,981,738	1,473,822
Change in operating assets and liabilities which provided (used) cash		
Federal and state grants receivable	45,202	(62,962)
Accounts receivable, net	(108,239)	6,099
Student loans receivable	(7,882)	(4,448)
Prepaid expenses and other assets	13,907	141,906
Accounts payable	(642,920)	(954,252)
Accrued payroll, vacation, and other compensation	356,346	(93,011)
Unearned revenue	105,932	(105,334)
Other accrued liabilities	45,634	11,786
Net cash used in operating activities	<u>\$ (16,903,883)</u>	<u>\$ (17,323,728)</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

St. Clair County Community College (the “College”) is a Michigan Community College whose mission is to fulfill the diverse needs of our educational communities by providing a broad range of quality educational, cultural, and social learning opportunities.

Reporting Entity – St. Clair County Community College

St. Clair County Community College is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles outlined in Governmental Accounting Standards Board (“GASB”) Statements No. 34 and 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The College has elected not to follow subsequent private-sector guidance.

The College reports as a business-type activity as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units* for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one such component unit to present within the reporting entity.

Reporting Entity – Component Unit

The SC4 Foundation (the “Foundation”) is a nonprofit organization that reports under Financial Accounting Standards Board (“FASB”) standards, including FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

Significant Accounting Policies

Accrual Basis

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, money market accounts, and certificates of deposit with an initial maturity of three months or less.

Investments

Investments are recorded at fair value, based on quoted market prices.

Property and Equipment

Property and equipment are recorded at cost or, if acquired by gift, the fair value as of the date of acquisition. Library books are recorded using a historically based estimated value. Depreciation is provided for property and equipment on a straight-line basis over the estimated useful lives of the assets. Expenditures greater than \$3,000 for furniture, fixtures, and equipment with a useful life of at least three years and building additions greater than \$5,000 are capitalized. The following estimated useful lives are used to compute depreciation:

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

<u>Classification</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Infrastructure	15 years
Library collection	10 years
Furniture, fixtures, and equipment	3-7 years

Revenue Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Property taxes are recorded as revenue when received, which approximates the amounts when levied.

Operating revenues of the College consist of tuition and fees, certain grants and contracts, and sales and services of educational activities. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, property taxes, and Federal Pell grants are components of nonoperating and other revenues. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

Revenue received prior to year end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2008, includes \$233,393 for the 2008 fall semester and \$228,893 for the 2008 summer semester, which began on June 30, 2008, and ended on August 8, 2008. Unearned revenue at June 30, 2007, includes \$182,721 for the 2007 fall semester and \$190,273 for the 2007 summer semester, which began on June 25, 2007, and ended on August 3, 2007. Grants received prior to qualifying expenditures are also included in unearned revenue.

Expenses

Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable

Accounts receivable are recorded net of allowance for uncollectible accounts of \$175,000 and \$140,000 as of June 30, 2008 and 2007, respectively. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance in the period that determination is made.

Split-Interest Agreement

The College was the trustee and remainder beneficiary of an irrevocable charitable remainder unitrust. Upon the death of the donor, during fiscal year 2008, the obligation for required distributions was extinguished. Proceeds from the trust were then transferred to the SC4 Foundation, based on approval from the Board of Trustees, for investment purposes and are reflected on the balance sheet of the Foundation. The value of the investments at the time of transfer totaled approximately \$630,000.

The investments held in the charitable remainder unitrust consisted of money market funds of \$31,870, fixed income securities of \$266,888, and corporate equity securities of \$324,180 at June 30, 2007.

Gifts and Pledges

Gifts are recorded at estimated fair value when received and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the College's current sick and vacation pay policy. Under the College's policy, employees earn sick and vacation time based on years of service with the College.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Unrestricted Net Assets

The College has designated the use of unrestricted net assets as follows at June 30:

	<u>2008</u>	<u>2007</u>
Designated for future capital outlay and major maintenance	\$ 4,308,731	\$ 2,687,481
Designated for instructional department uses	237,483	235,753
Unrestricted and undesignated	<u>3,360,091</u>	<u>2,463,715</u>
Total unrestricted net assets	<u>\$ 7,906,305</u>	<u>\$ 5,386,949</u>

Reclassifications

Certain amounts as reported in the 2007 financial statements have been reclassified to conform with the 2008 presentation.

2. DEPOSITS AND INVESTMENTS – COLLEGE

State of Michigan statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services. The College is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The College's investment policy allows for all of these types of investments.

The College's deposits and investments are included on the balance sheets under the following classifications as of June 30:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 821,981	\$ 567,179
Restricted cash and investments	3,039,989	4,460,808
Short-term investments	<u>14,663,869</u>	<u>11,834,872</u>
Total	<u>\$ 18,525,839</u>	<u>\$ 16,862,859</u>

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The amounts are categorized as follows at June 30:

	<u>2008</u>	<u>2007</u>
Bank deposits (checking, savings, and cash sweep accounts, and certificates of deposit)	\$ 16,394,960	\$ 14,704,009
Petty cash	3,150	3,150
Investments in government obligations, including accrued interest receivable of \$22,331 in 2008 and \$21,705 in 2007	<u>2,127,729</u>	<u>2,155,700</u>
Total	<u>\$ 18,525,839</u>	<u>\$ 16,862,859</u>

Interest Rate Risk. The College's investment policy does not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The College had the following debt securities and maturities as of June 30:

						Credit Rating	
						Standards & Poors	Moody's Investor Services

Credit Risk. The College's investment policy does not have specific limits in excess of state law on credit risk for allowable debt securities as identified above. Credit ratings on the College's investments are listed above.

Concentration of Credit Risk. The College's investment policy does not have specific limits on concentration of credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College does not have a policy for deposit custodial credit risk. As of June 30, 2008 and 2007, \$15,838,707 and \$14,186,503 of the College's bank deposits balance of \$16,394,517 and \$14,694,020, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments that are in the possession of an outside party. State law does not require and the College does not have a policy for investment custodial credit risk. However, all investments are in the name of the College and the investments are held in trust accounts with each financial institution from which they were purchased.

3. INVESTMENTS – FOUNDATION

The primary objective of the Foundation's investments in its Endowment Fund is to receive, hold, invest, and administer funds for the purpose of assisting the College in the development of its educational program and expansion of its facilities. The Foundation receives gifts and contributions from various outside sources and members of the Foundation. Resources from the Foundation's unrestricted, temporarily restricted, and permanently restricted net assets have been pooled and invested through the trust department of a local bank.

The Foundation considers all highly liquid investments including money market accounts and certificates of deposit with a maturity of three months or less, when purchased, to be cash equivalents.

The Foundation maintains a deposit account at a financial institution in Michigan which at times may exceed the Federal Deposit Insurance Corporation insured limits. As of June 30, 2008 and 2007, there were no uninsured deposits.

The fair value of the Foundation's investments is summarized as follows at June 30:

	<u>2008</u>	<u>2007</u>
U.S. government obligations	\$ 305,269	\$ 288,665
Equity securities and funds	878,238	814,430
Fixed income securities and bonds	489,964	676,522
Mutual funds - U.S. government and fixed income securities	<u>1,472,766</u>	<u>473,854</u>
Total investments	<u>\$ 3,146,237</u>	<u>\$ 2,253,471</u>

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

The following table presents the changes in the components of property and equipment for the years ended June 30:

2008	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Depreciable assets				
Buildings and improvements	\$ 39,443,167	\$ 551,568	\$ -	\$ 39,994,735
Infrastructure	404,713	1,240,491	-	1,645,204
Furniture, fixtures and equipment	8,346,285	1,748,152	350,570	9,743,867
Library collection	<u>954,451</u>	<u>103,315</u>	<u>76,855</u>	<u>980,911</u>
Total depreciable assets	<u>49,148,616</u>	<u>3,643,526</u>	<u>427,425</u>	<u>52,364,717</u>
Nondepreciable assets				
Land	1,172,103	-	-	1,172,103
Construction in progress	<u>82,003</u>	<u>-</u>	<u>82,003</u>	<u>-</u>
Total nondepreciable assets	<u>1,254,106</u>	<u>-</u>	<u>82,003</u>	<u>1,172,103</u>
Total	<u>50,402,722</u>	<u>3,643,526</u>	<u>509,428</u>	<u>53,536,820</u>
Less accumulated depreciation				
Buildings and improvements	12,725,393	1,134,258	-	13,859,651
Infrastructure	335,925	76,893	-	412,818
Furniture, fixtures and equipment	6,802,009	681,169	350,570	7,132,608
Library collection	<u>496,613</u>	<u>89,418</u>	<u>76,855</u>	<u>509,176</u>
Total accumulated depreciation	<u>20,359,940</u>	<u>1,981,738</u>	<u>427,425</u>	<u>21,914,253</u>
Property and equipment – net	<u>\$ 30,042,782</u>			<u>\$ 31,622,567</u>

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

<u>2007</u>	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
Depreciable assets				
Buildings and improvements	\$ 25,079,058	\$14,364,109	\$ -	\$ 39,443,167
Infrastructure	382,563	22,150	-	404,713
Furniture, fixtures and equipment	7,555,625	1,404,657	613,997	8,346,285
Library collection	<u>1,066,995</u>	<u>94,293</u>	<u>206,837</u>	<u>954,451</u>
Total depreciable assets	<u>34,084,241</u>	<u>15,885,209</u>	<u>820,834</u>	<u>49,148,616</u>
Nondepreciable assets				
Land	1,263,103	-	91,000	1,172,103
Construction in progress	<u>10,603,996</u>	<u>82,003</u>	<u>10,603,996</u>	<u>82,003</u>
Total nondepreciable assets	<u>11,867,099</u>	<u>82,003</u>	<u>10,694,996</u>	<u>1,254,106</u>
Total	<u>45,951,340</u>	<u>15,967,212</u>	<u>11,515,830</u>	<u>50,402,722</u>
Less accumulated depreciation				
Buildings and improvements	11,821,543	903,850	-	12,725,393
Infrastructure	328,236	7,689	-	335,925
Furniture, fixtures and equipment	6,940,569	475,437	613,997	6,802,009
Library collection	<u>616,604</u>	<u>86,846</u>	<u>206,837</u>	<u>496,613</u>
Total accumulated depreciation	<u>19,706,952</u>	<u>1,473,822</u>	<u>820,834</u>	<u>20,359,940</u>
Property and equipment – net	<u>\$ 26,244,388</u>			<u>\$ 30,042,782</u>

Depreciation expense for the years ended June 30, 2008 and 2007, totaled \$1,981,738 and \$1,473,822, respectively. The College determined that it is not practical to allocate depreciation to the various functional expenses because the capital assets serve multiple functions.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLANS

Defined Benefit Plan

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers most employees of the College. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the System result from the effect of implementing the School Finance Reform Act. Under these procedures, each college is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74% for the period from July 1, 2007, through September 30, 2007, and 16.72% for the period from October 1, 2007, through June 30, 2008, of the covered compensation to the plan. The rate was 16.34% for the period July 1, 2006, through September 30, 2006, and was 17.74% for the period October 1, 2006, through June 30, 2007. Basic plan members do not make contributions, but Member Investment Plan participants contribute at rates ranging from 3% to 4% of gross wages.

The College also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment plan administered by MPSERS. This plan provides medical benefits to retired employees of participating community colleges. Participating community colleges are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS (current rate of 6.55% of annual covered payroll as included in the note above). The MPSERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers ("ARC"), an amount actually determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The College's contributions to the MPSERS healthcare plan for the years ended June 30, 2008, 2007, and 2006, equaled the required contributions for each year. Thus, the college did not book a liability for this postemployment healthcare.

The College's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006, were approximately \$1,909,000, \$1,715,000, and \$1,885,000, respectively. The contributions for the plan years ended June 30, 2008 and 2007, were reduced by a credit from the State of Michigan in the amount of \$94,750 and \$284,250, respectively which was determined by Executive Order 2007-3.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS' Pension Plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare for health coverage and 10% of the monthly premium for the dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the College's total contribution to the MPSERS plan discussed above.

Defined Contribution Plan

Effective October 1, 1996, existing professional MPSERS members and new professional employees of the College may elect to participate in an optional retirement program ("ORP") in lieu of participating in the MPSERS plan. The ORP plan is a contributory defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund ("TIAA-CREF"). Under the ORP, the College contributed 16.24% for the period from July 1, 2007, through September 30, 2007, and 15.22% for the period from October 1, 2007, through June 30, 2008. The participant contributes 4% of the participant's compensation. Compensation covered under the plan for the year ended June 30, 2008, was approximately \$1,908,000, resulting in contributions of approximately \$295,500 and \$76,300 for the College and employees, respectively. Compensation covered under the plan for the year ended June 30, 2007, was approximately \$1,843,000 resulting in contributions of approximately \$293,000 and \$73,700 for the College and employees, respectively.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES

Long-term liabilities consists of the following obligations as of June 30:

	Outstanding Principal			Balance June 30, 2008	Current Portion
	Balance July 1, 2007	Additions	Reductions		
2008					
Bonds Payable:					
General obligation bonds	\$ 4,400,000	\$ -	\$ 205,000	\$ 4,195,000	\$ 215,000
Deferred amounts:					
For issuance discounts	(41,593)	-	(3,910)	(37,683)	-
On refunding	(111,164)	-	(8,085)	(103,079)	-
Total bonds payable	4,247,243	-	193,005	4,054,238	215,000
Other liabilities					
Charitable remainder unitrust obligation	125,000	-	125,000	-	-
Accrued property tax appeals (Note 9)	4,272,462	816,874	-	5,089,336	-
Accrued sick leave	375,000	47,436	35,436	387,000	60,000
Total long-term liabilities	\$ 9,019,705	\$ 864,310	\$ 353,441	9,530,574	\$ 275,000
Less current portion of long-term liabilities				275,000	
Long-term liabilities, net of current portion				\$ 9,255,574	

	Outstanding Principal			Balance June 30, 2007	Current Portion
	Balance July 1, 2006	Additions	Reductions		
2007					
Bonds Payable:					
General obligation bonds	\$ 4,595,000	\$ -	\$ 195,000	\$ 4,400,000	\$ 205,000
Deferred amounts:					
For issuance discounts	(45,503)	-	(3,910)	(41,593)	-
On refunding	(119,249)	-	(8,085)	(111,164)	-
Total bonds payable	4,430,248	-	183,005	4,247,243	205,000
Other liabilities					
Charitable remainder unitrust obligation	132,000	-	7,000	125,000	7,000
Accrued property tax appeals (Note 9)	3,326,988	945,474	-	4,272,462	-
Accrued sick leave	350,000	40,577	15,577	375,000	10,000
Total long-term liabilities	\$ 8,239,236	\$ 986,051	\$ 205,582	9,019,705	\$ 222,000
Less current portion of long-term liabilities				222,000	
Long-term liabilities, net of current portion				\$ 8,797,705	

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College has an outstanding Community College General Obligation Limited Tax Bond, Series 2004, in the original amount of \$2,500,000. Principal payments ranging from \$95,000 to \$185,000 are due annually through 2024. Interest is paid semiannually in October and April at rates that vary from 3.25% to 4.85%. The bonds are reported net of a discount of \$19,792, which is being amortized over the 20 year term of the bonds. The net balance outstanding on this bond at June 30, 2008 and 2007, was \$2,135,208 and \$2,223,958, respectively.

On October 13, 2005, the College advance refunded \$1,690,000 of the 2000 Community College General Obligation Limited Tax Bonds with a Community College General Obligation Limited Tax Bond. The College issued \$1,855,000 of General Obligation Limited Tax Bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt.

The College has \$500,000 remaining of Series 2000 debt. Principal payments ranging from \$105,000 to \$110,000 are due annually through 2010. Interest is payable semiannually in October and April at a 5.0% rate. The bond is reported net of a discount totaling \$2,549, which is being amortized over the life of the bond. The net balance outstanding on this bond at June 30, 2008 and 2007, is \$212,451 and \$310,994, respectively.

The Community College General Obligation Limited Tax Refunding Bonds, Series 2005, have principal payments ranging from \$15,000 to \$190,000 due annually through 2021. Interest is payable semiannually in October and April at rates ranging from 3.75% to 4.0%. The bonds are reported net of a discount and deferred loss on refinancing totaling \$15,342, which is being amortized over the 15 ½ year term of the bonds. The net balance outstanding on this bond at June 30, 2008 and 2007, was \$1,706,579 and \$1,712,291, respectively.

The bonds will be repaid from remaining project funds and general operating revenues of the College.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Scheduled principal and interest requirements of bonds payable for years succeeding June 30, 2008, are summarized below:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 215,000	\$ 181,184	\$ 396,184
2010	225,000	171,809	396,809
2011	235,000	161,746	396,746
2012	245,000	152,409	397,409
2013	255,000	142,521	397,521
2014-2018	1,460,000	543,845	2,003,845
2019-2023	1,375,000	210,412	1,585,412
2024	<u>185,000</u>	<u>8,973</u>	<u>193,973</u>
Totals	<u>\$ 4,195,000</u>	<u>\$ 1,572,899</u>	<u>\$ 5,767,899</u>

7. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation as well as medical benefits provided to employees. The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for claims related to all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Community College Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

8. FOUNDATIONS

The SC4 Foundation is a separate legal nonprofit entity established to accept, collect, hold and invest donations made for the sole benefit of the College. The assets and all activity of this foundation are reported as a discretely presented component unit in the College's financial statements.

The financial statements do not include the accounts and operations of the Del James Blessinger Foundation, which is also organized to promote, encourage, and aid St. Clair County Community College. Net assets of the foundation approximate \$490,000 and \$488,000 at June 30, 2008 and 2007, respectively. Contributions received from this foundation totaled approximately \$20,000 and \$16,000 for the years ended June 30, 2008 and 2007, respectively.

The College provides personnel support, supplies, and equipment to the foundations.

9. COMMITMENTS AND CONTINGENCIES

Property Taxes

A taxpayer in the College district has filed appeals with the Michigan Tax Tribunal contesting tax assessments and taxable values of certain property within the district. The appeals, if successful, would result in a refund of property taxes. This refund, as well as anticipated legal and interest costs, has been recognized as a liability of \$5,089,336 and \$4,272,462 as of June 30, 2008 and 2007, respectively.

Other Matters

In the normal course of its activities, the College is a party to various legal actions. It is the opinion of College officials that potential claims in excess of insurance coverage resulting from pending litigation would not have a material effect on the financial statements.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

November 5, 2008

Board of Trustees
St. Clair County Community College
Port Huron, Michigan

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The fiscal 2008 supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the 2008 basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the 2008 basic financial statements and, accordingly, we express no opinion on it.

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY COMMUNITY COLLEGE

COMBINING BALANCE SHEET

JUNE 30, 2008

	General Fund	Designated Fund	Restricted Funds	Loan Funds	Plant Funds	Agency Funds	Endowment Funds	Combined Total
ASSETS								
Current assets								
Cash and cash equivalents	\$ 716,410	\$ -	\$ -	\$ -	\$ -	\$ 105,571	\$ -	\$ 821,981
Short-term investments	7,860,588	238,851	425,277	120,854	5,654,485	363,814	-	14,663,869
State appropriations receivable	1,200,072	-	-	-	-	-	-	1,200,072
Federal and state grants receivable	-	-	138,015	-	5,128	-	-	143,143
Accounts receivable, net	238,666	-	2,425	-	100,000	-	-	341,091
Student loans receivable	-	-	-	20,559	-	-	-	20,559
Prepaid expenses and other assets	4,970	-	-	-	34,416	-	-	39,386
Due from (due to) other funds	82,775	-	(65,886)	-	-	220	(17,109)	-
Total current assets	10,103,481	238,851	499,831	141,413	5,794,029	469,605	(17,109)	17,230,101
Restricted cash and investments	-	-	200	-	894,838	-	2,144,951	3,039,989
Property and equipment - net	-	-	-	-	31,622,567	-	-	31,622,567
Total assets	\$ 10,103,481	\$ 238,851	\$ 500,031	\$ 141,413	\$ 38,311,434	\$ 469,605	\$ 2,127,842	\$ 51,892,657
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 531,589	\$ -	\$ 47,109	\$ -	\$ 237,613	\$ 9,856	\$ -	\$ 826,167
Accrued payroll, vacation, and other compensation	1,486,356	1,368	11,036	-	-	-	-	1,498,760
Current portion of long-term liabilities	60,000	-	-	-	215,000	-	-	275,000
Accrued interest payable	-	-	-	-	45,296	-	-	45,296
Deposits	800	-	-	-	-	459,749	-	460,549
Unearned revenue	486,981	-	134,552	-	-	-	-	621,533
Total current liabilities	2,565,726	1,368	192,697	-	497,909	469,605	-	3,727,305
Long-term liabilities, net of current portion	4,177,664	-	-	-	5,077,910	-	-	9,255,574
Total liabilities	6,743,390	1,368	192,697	-	5,575,819	469,605	-	12,982,879
Net assets								
Invested in capital assets, net of related debt	-	-	-	-	27,465,249	-	-	27,465,249
Restricted								
Nonexpendable endowments	-	-	-	-	-	-	2,127,842	2,127,842
Expendable gifts	-	-	307,334	-	-	-	-	307,334
Loans	-	-	-	141,413	-	-	-	141,413
Capital projects	-	-	-	-	961,635	-	-	961,635
Unrestricted	3,360,091	237,483	-	-	4,308,731	-	-	7,906,305
Total net assets	3,360,091	237,483	307,334	141,413	32,735,615	-	2,127,842	38,909,778
Total liabilities and net assets	\$ 10,103,481	\$ 238,851	\$ 500,031	\$ 141,413	\$ 38,311,434	\$ 469,605	\$ 2,127,842	\$ 51,892,657

See independent auditors' report on supplementary information

ST. CLAIR COUNTY COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	General Fund	Designated Fund	Restricted Funds	Student Loan Funds	Plant Funds	Endowment Funds	Elimination Entries	Combined Total
Operating revenues								
Tuition and fees								
(net of scholarship allowances of \$1,760,910)	\$ 11,182,626	\$ -	\$ -	\$ -	\$ 749,863	\$ -	\$ (1,760,910)	\$ 10,171,579
Federal grants and contracts	-	-	899,142	-	-	-	-	899,142
State grants and contracts	-	-	346,380	-	-	-	-	346,380
Nongovernmental grants	-	-	65,582	-	-	-	-	65,582
Indirect cost recoveries	86,166	-	-	-	-	-	(86,166)	-
Current funds expenditures for capital equipment and improvements	-	-	-	-	198,129	-	(198,129)	-
Other sources	740,370	-	-	8,120	-	-	-	748,490
Total operating revenues	12,009,162	-	1,311,104	8,120	947,992	-	(2,045,205)	12,231,173
Operating expenses								
Instruction	9,900,616	-	365,849	-	-	-	(101,911)	10,164,554
Public service	124,305	-	-	-	-	-	-	124,305
Instructional support	3,508,480	28,199	226,987	-	-	-	(121,701)	3,641,965
Student services	2,630,859	-	4,135,151	-	-	-	(1,803,400)	4,962,610
Institutional administration	4,308,507	103,799	21,629	-	-	-	(8,218)	4,425,717
Operation and maintenance of plant	3,358,454	-	7,789	-	421,805	-	(9,975)	3,778,073
Depreciation	-	-	-	-	1,981,738	-	-	1,981,738
Institutional technology	1,845,812	-	-	-	-	-	-	1,845,812
Total operating expenses	25,677,033	131,998	4,757,405	-	2,403,543	-	(2,045,205)	30,924,774
Operating (loss) income	(13,667,871)	(131,998)	(3,446,301)	8,120	(1,455,551)	-	-	(18,693,601)
Nonoperating revenues (expenses)								
Federal Pell grants	-	-	3,320,142	-	-	-	-	3,320,142
State appropriations	7,194,400	-	-	-	-	-	-	7,194,400
Property taxes	10,395,943	-	-	-	-	-	-	10,395,943
Endowment income	-	-	60,086	31,568	-	-	(91,654)	-
Investment income	669,225	-	300	-	3	225,860	-	895,388
Interest on capital asset - related debt	-	-	-	-	(203,162)	-	-	(203,162)
Distribution to beneficiary funds	-	-	-	-	-	(99,020)	91,654	(7,366)
Net nonoperating revenues (expenses)	18,259,568	-	3,380,528	31,568	(203,159)	126,840	-	21,595,345
Income (loss) before other (expenses) revenues	4,591,697	(131,998)	(65,773)	39,688	(1,658,710)	126,840	-	2,901,744
Other (expenses) revenues								
State capital appropriations	-	-	-	-	186,255	-	-	186,255
Capital gifts	-	-	-	-	120,000	-	-	120,000
Additions to permanent endowments	-	-	-	-	-	2,243	-	2,243
Transfer to related entity	-	-	(1,283)	-	-	(649,630)	-	(650,913)
Increase (decrease) in net assets	4,591,697	(131,998)	(67,056)	39,688	(1,352,455)	(520,547)	-	2,559,329
Transfers (out) in	(3,695,321)	133,728	25,215	(9,079)	3,536,378	9,079	-	-
Net increase (decrease) in net assets	896,376	1,730	(41,841)	30,609	2,183,923	(511,468)	-	2,559,329
Net assets, beginning of year	2,463,715	235,753	349,175	110,804	30,551,692	2,639,310	-	36,350,449
Net assets, end of year	\$ 3,360,091	\$ 237,483	\$ 307,334	\$ 141,413	\$ 32,735,615	\$ 2,127,842	\$ -	\$ 38,909,778

See independent auditors' report on supplementary information.